



What's *Really* Happening in the Real Estate Market

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Edmonton:

Lower Demand + Higher Supply = ?

If the professor asked the above question in a basic economics course, the students would resoundingly answer "lower prices!" But....the real world doesn't always follow basic theories does it? This month, we will dive into all of the current indicators and see what sense can be made of them.

First, lets address the above: Inventory of houses for sale (supply) is higher than the 5 year average, and Total Sales (demand) is below the five year average. I interpret as follows: we are not likely to see any rise in prices this year and are seeing some softening of prices especially in certain market segments. However, real estate markets don't always react in a predictable fashion.

Throughout 2015, I wrote I was concerned with higher inventory levels, yet despite that, prices in the spring rose to record levels when coupled with only typical demand which seemed to defy the logic of the supply/demand economics lesson. The difference so far in 2016 appears to be that Demand is also lower than average leading to lower Sales to Listing Ratios (30% for February). If this trend continues, then we would expect prices to ultimately drop. It is interesting to note, that inventory levels are high, but not at the levels seen in 2007-2008, when prices dropped quickly from record highs.

Average Prices are down in February 2016 from 2014 and 2015, but interestingly, Median Prices are staying in line. This is an indicator of some underlying strength. Additionally, average

days on market of 57 days (median 38 days) are on the upper end of the range over the past years, but not substantially. To put it in perspective, the lowest average days on market over the past 5 February's was 48 meaning it's taking 9 days longer to sell a house on average.

What does all of this mean?

We need to keep a close eye on Supply/Demand over the next months. Traditionally, March is the start of the "spring" housing market in Alberta. How the market reacts in the next 2-3 months will likely give us a better idea of how 2016 will play out.

It's also important to emphasize that these are market statistics based on a sum or all sales, and that within the market are pockets of real estate which are influenced by other factors influencing pricing.

Snapshot of the Past 5 years February Statistics for the Edmonton Real Estate Market

| February-Edmonton | 2016 | 2015 | 2014 | 2013 | 2012 |
|------------------------------|-----------|-----------|-----------|-----------|-----------|
| House Avg. Price | \$419,940 | \$431,977 | \$433,252 | \$400,426 | \$384,409 |
| Median Price | \$400,000 | \$400,000 | \$392,000 | \$375,000 | \$360,000 |
| Condo Avg. Price | \$247,090 | \$250,405 | \$238,376 | \$231,485 | \$233,147 |
| Median Price | \$224,000 | \$235,000 | \$224,750 | \$212,450 | \$222,000 |
| Total Sales | 837 | 1,026 | 1,224 | 1,063 | 1,152 |
| Inventory (Month End) | 7,632 | 6,011 | 4,915 | 5,354 | 5,976 |

| February-Calgary | 2016 | 2015 | 2014 | 2013 | 2012 |
|------------------------------|-------------|-------------|-------------|-------------|-------------|
| House Avg. Price | \$539,733 | \$526,760 | \$550,312 | \$518,452 | \$469,726 |
| Median Price | \$467,500 | \$470,000 | \$482,800 | \$442,500 | \$427,000 |
| Condo Avg. Price | \$307,461 | \$308,942 | \$327,911 | \$287,830 | \$289,023 |
| Median Price | \$268,000 | \$267,500 | \$283,400 | \$252,900 | \$242,900 |
| Total Sales | 1,127 | 1,217 | 2,397 | 2,135 | 1,737 |
| Inventory (Month End) | 5,681 | 5,474 | 5,291 | 6,366 | 4,736 |

Calgary

With the lower price of both Oil and Gas, the Alberta economy has been dramatically impacted over the past 16 months. Signs of the slow down were felt earlier in Calgary than in Edmonton, due to the corporate layoffs which occurred in Calgary. The same supply/demand trend seen in Edmonton is also prevalent in Calgary. This past month's sales of 1,127 units, were the lowest in the past 5 years, and dramatically lower than 2013 and 2014 which were record years. Inventory, is also higher than typical. Calgary has seen a price correction over the past year already and it's interesting to note that price year over year in February for single family homes actually rose on average to \$539,733. The median price dropped slightly year over year to \$467,500. Due to a higher component of high priced homes in Calgary, the median is often interpreted as being a better indicator for tracking the changes in prices over time. The condo market also shows a clear drop from 2014 to 2015, with only minor decreases seen this past year. Average days on market were reported to be 43 days, which is longer than the past two years, but not the highest over the past 5 years. As we move into the spring real estate market, we will be watching to see if Calgary has hit it's "bottom" and if there are any signs of recovery.



Edmonton Real Estate Analysis 2007 - Present

*Based on statistics from the Realtor's Association of Edmonton

